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SUBJECT: THAI MARKET TURNS TO AFRICAN RUBIES AS SMUGGLING OF BURMESE STONES DECLINES

REF: A. 2008 RANGOON 61: FINANCING THE REGIME WITH JADE, NOT GEMS

[1](#)B. 2007 BANGKOK 6239: A BURMESE ROCK BECOMES A THAI RUBY

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Sensitive But Unclassified; please handle accordingly.

Summary

[1](#)1. (SBU) The long and porous border of the Mae Sot area with Burma, and proximity to the Burmese gem mines, have made this region historically a center for the smuggling of Burmese gems. However, imported African rubies now dominate local markets in Mae Sot. Retailers say Burmese rubies are too expensive compared to African ones and believe stricter Burmese controls are directing Burmese production into the Rangoon auctions, especially in high-end gems. In addition, China's appetite for jade has caused the Thai border trade in jade to all but dry up.
End summary.

Mae Sot Gem Market in Decline

[1](#)2. (SBU) Because of its geographically and commercially strategic location, Mae Sot in Tak Province has played a historically significant role in the trade of Burmese gems. The Thai border town is home to about 300 gem traders and retailers, many of whom work part-time, and a few gem wholesalers, according to the chairperson of the Mae Sot Gemstones and Jewelry Club. The two small gem markets in Mae Sot, which are located in the center of town and at the Thai-Burmese Friendship Bridge, bustle every morning with brokers buying and selling smuggled gems and semiprecious stones. Over time, these factors have built up Mae Sot's reputation as a Burmese gem supply hub.

[1](#)3. (SBU) During recent casual visits to the Mae Sot gem markets by local Consulate staff, however, traders and retailers reported that the Mae Sot gem market is in decline because of the falling competitiveness of Burmese gems, low local demand, and an increasing control of the market by the official auction in Rangoon that leads to fewer, and lower quality, raw gems available to be easily smuggled out of the country.

Burmese Rubies Can't Compete with African Imports

[1](#)4. (SBU) Despite its proximity to Burma and the mines of Mogok north of Mandalay and the Mineshu mines in Shan State, approximately 70 percent of rubies sold in Mae Sot are now imported from Africa, mainly Madagascar, according to one shop owner. In the shop stalls, it appeared to the Consulate staff

that over 90 percent of the rubies for sale were from Africa. A source at the Tak Chamber of Commerce said that the "vast majority" of rubies in Tak now come from Africa. Local merchants said that the low prices of African rubies are too competitive for Burmese gems, even when smuggled. Because of low quality and demand, the price of a one-karat rough, uncut Burmese ruby in Mae Sot is only about \$0.90; but even that low price cannot compete with African rubies which are marketed to the tourist crowd as more beautiful and affordable, though less rare than Burmese rubies. Many retailers admitted to falsely selling African rubies as Burmese rubies to tourists, who are willing to pay more for "Burmese" ones.

Low Demand Hurts Retailers

15. (SBU) Besides declining competitiveness of Burmese gems, Mae Sot and Chiang Mai merchants complained of low demand for precious gems. In Mae Sot, retailers said that local demand has dwindled to a few local traders and tourists. The trade of valuable smuggled gems from Burma through Mae Sot is a thing of the past; and local demand survives only because of Mae Sot's historical reputation. In both Mae Sot and Chiang Mai, jewelry retailers complained of the decline in global demand for precious gems as luxury goods. With high commodity prices globally, jewelry merchants believe that consumers are shifting their preferences to cheaper, custom-made jewelry.

The Dominance of the Rangoon Gem Auction

16. (SBU) Merchants believe that the decline in Burmese stones in Mae Sot has driven more Bangkok-based gem dealers to buy directly from the auction in Rangoon. Mae Sot's share of the value of Thailand's total Burmese ruby imports is now only 5%,

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according to the Mae Sot Gemstones and Jewelry Club. One merchant said that the Burmese regime has taken increasing control of the high-end ruby trade. A Chiang Mai jewelry producer said that high quality gems are now more difficult to find in the border towns of Mae Sot and Mae Sai. (Note: Post plans to visit and report separately on the Mae Sai gem market.)

China Takes the Jade Market

17. (SBU) The economic rise of China has also contributed to the decline of the Mae Sot market. Besides rubies, jade has traditionally been the other major gem export from Burma. While Thailand's demand for jade is relatively low, Thailand's border towns used to do a moderate trade in jade. Now that has changed. Chinese bidders have pushed prices so high that Thai traders in Northern Thailand have all but dropped the jade trade.

Comment

18. (SBU) While we cannot say for sure what is going on in the Burmese gem industry, the decline in volume and quality of Burmese rubies in the markets of Mae Sot is consistent with local vendors' beliefs that the Burmese government has tightened control over gem mining and transport, leaving less to smuggle out cheaply. The most dramatic change, however, has been the influx of African gems. Prices for Burmese stones may be rising because of greater interest in the Rangoon gem auctions, but so long as African rubies can be brought in at lower prices, they will inevitably continue to dominate local markets, at least for non-high-end stones.

19. (U) This cable was coordinated with Embassies Bangkok and

Rangoon and Consulate General Chengdu.
ANDERSON